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GENERAL
BAKERIES
LIMITED

Annual Report
for the year
ended April 1,
1972



General Bakeries Limited

Directors

W. M. Vacy Ash—Toronto
Member of the Executive Committee

Christie T. Clark—Toronto
Member of the Executive Committee

J. C. P. Conrad—Toronto
Member of the Executive Committee

T. G. Gedge—Toronto

Grant Horsey—Toronto

Edwin C. McDonald—New York

John A. McDougald—Toronto
Chairman of the Executive Committee

S. R. Saxby—Montreal

D. H. Ward—Toronto

Trumbull Warren—Hamilton

Officers

W. M. Vacy Ash
Chairman of the Board

J. C. P. Conrad
President

J. P. Wygant
Vice-President—Operations

R. J. Langley
Vice-President—Sales and Marketing

T. G. Gedge
Vice-President—Finance and Secretary-Treasurer

F. R. Fillion
Vice-President—Personnel and Industrial Relations

P. L. Pope
Vice-President—Manufacturing

Auditors

Thorne, Gunn, Helliwell & Christenson, Toronto

Solicitors

Fraser & Beatty, Toronto

Registrar & Transfer Agent

Crown Trust Company, Toronto, Montreal and Vancouver

Bankers

Canadian Imperial Bank of Commerce—Banque Canadienne Nationale—The Bank of Nova Scotia

GENERAL BAKERIES LIMITED AND SUBSIDIARY COMPANIES

Mammy's Bakery Limited

Walker Bakeries Co. Limited

General Bakeries (N.B.), Limited

O'Malley's Limited

The Marra's Bread Limited

Ellenzweig Bakery Co. Limited

Wonder Bread Limited

Plants and Offices

St. John's

Dartmouth

Saint John

Montreal

Ottawa

Brockville

Kingston

Toronto

Orillia

Hamilton

London

Executive Offices

170 The Donway West, Don Mills, Ontario

General Bakeries Limited and subsidiary companies

ANNUAL REPORT FOR THE YEAR ENDED APRIL 1, 1972

Financial Highlights

	1972	1971
Net income for the year - - - - -	\$ 76,985	\$ 44,849
Equal per share to - - - - -	.10	.06
Dividends declared - - - - -	97,500	97,500
Equal per share to - - - - -	.13	.13
Shareholders' equity - - - - -	4,840,423	4,860,938
Equal per share to - - - - -	6.45	6.48
Equity capital invested		
Working capital - - - - -	781,338	822,285
Fixed assets, less accumulated depreciation -	7,332,084	7,183,152
Goodwill - - - - -	1	1
	<u>8,113,423</u>	<u>8,005,438</u>
Deduct:		
Long-term debt - - - - -	2,922,000	2,849,000
Deferred income taxes - - - - -	351,000	295,500
	<u>\$4,840,423</u>	<u>\$4,860,938</u>
Gross expenditures for fixed assets during year -	\$ 882,532	\$2,470,776

Report to the Shareholders *For the year ended April 1, 1972*

We are pleased to report further improvement in operating results. Sales of \$37,679,860 are the highest in our twenty-six years of operations and compare with \$36,225,025 last year. This is an increase of \$1,454,835 or 4%.

Operating income before income taxes was \$151,985 compared with an operating loss before income taxes last year of \$24,651. Net income for the year was \$76,985. This is the equivalent of ten cents per common share and compares with \$44,849, or six cents per share last year.

Dividends of thirteen cents per common share on an annual basis were declared and paid.

The 1971 opening balance of the statement of retained earnings has been restated to reflect an adjustment of prior years' income taxes as explained in note (3) to the financial statements. This restatement has not changed the reported net income or comparisons with the year 1971.

It is of further interest to note that the amount of cash available from operations increased to \$834,773 from \$586,946. This is an increase of \$247,827 over last year. It is composed of \$32,136 from increased net income, \$78,191 from higher depreciation and \$137,500 from the funds required for deferred income taxes.

As reported to you in other years, the baking business is a high labour-intensive industry and your company is no exception. The actual payroll this year was 36% of sales, while the number of employees was not substantially changed. Although sales increased by 4%, at the same time payroll and related costs increased by 6%. This has the effect of further reducing funds available for operations and eventually for profits and return on investment. Even though capital funds have been used to modernize machinery and equipment to cope with the situation, there is a limit to such resourcefulness on the part of management, both corporate and operational.

The solution must be largely in increased revenue from better prices for our products. While some prices have been advanced, they were of a modest nature and not sufficient to compensate for the higher costs of doing business. Moreover, the climate in the industry precludes establishing our prices at normal and reasonable levels.

These conditions may remain with us for a while yet. Your management recognizes this possibility and is making every effort to overcome the effect.

Capital expenditures of \$882,532 were made principally to purchase new production machinery and equipment together with additions and replacements in the large fleet of delivery trucks essential to our distribution

system. In order to increase efficiency and improve product quality during the year, the latest design of bulk flour handling equipment was installed in the Hamilton bakery. A new and modern depot was built at St. Hyacinthe and a new design roll packaging unit installed at Toronto together with a start on automatic in-feed flight conveyors to the bread slicing machines. Also during the year the Amherstburg plant was closed in March 1971, and moved to London. This involved a major shift in operations and the installation of a new bread line in the London premises.

Concurrent with capital projects throughout the year, a study of cost control and reporting was completed. This was done in collaboration with independent bakery consultants. The new controls and reporting system were put into operation at the beginning of the current fiscal year. The purpose was to put all plants on an improved

standard system essential to the application of computer technique.

Closely related to this work is the importance of maintaining a strong executive group in order to make certain our outlook and communication with market behaviour continues to be innovative and skilful. In April, the reconstructing of our executive group began when Mr. James P. Wygant joined us as Vice-President—Operations.

At the shareholders meeting last August, Mr. D. H. Ward, Chairman of Dominion Securities Corporation Limited and Mr. Trumbull Warren, President of Rheem Canada Limited, were elected to the board of directors. Both gentlemen have shown a keen interest in the affairs of General Bakeries Limited.

We wish to thank all those who have contributed in any way to the well-being of your company.

Respectfully submitted on behalf of the Board of Directors.



Chairman of the Board



President

May 29, 1972.

General Bakeries Limited and subsidiary companies

(INCORPORATED UNDER THE LAWS OF ONTARIO)

<i>Assets</i>		1972	1971
CURRENT ASSETS			
Cash - - - - -		\$ 953,255	\$ 957,297
Accounts receivable - - - - -		2,203,035	1,836,817
Inventories, at lower of cost and net realizable value - - - - -		908,209	915,566
Prepaid expenses - - - - -		128,768	90,693
		<u>4,193,267</u>	<u>3,800,373</u>
FIXED ASSETS (note 1)			
Land, buildings and equipment, at cost - - - - -		14,745,451	14,025,739
Less accumulated depreciation - - - - -		7,413,367	6,842,587
		<u>7,332,084</u>	<u>7,183,152</u>
GOODWILL - - - - -		1	1
		<u>\$11,525,352</u>	<u>\$10,983,526</u>

Approved by the Board

W. M. VACY ASH, *Director*

J. C. P. CONRAD, *Director*

AUDITORS' REPORT

To the Shareholders of
GENERAL BAKERIES LIMITED

We have examined the consolidated balance sheet of General Bakeries Limited and subsidiary companies as at April 1, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Consolidated Balance Sheet, April 1, 1972

(WITH COMPARATIVE FIGURES AT APRIL 3, 1971 AS RESTATED)

<i>Liabilities</i>													1972	1971
CURRENT LIABILITIES														
Accounts payable and accrued liabilities	-	-	-	-	-	-	-	-	-	-	-	-	\$ 3,329,385	\$ 2,891,910
Dividend payable	-	-	-	-	-	-	-	-	-	-	-	-	24,375	24,375
Income taxes payable	-	-	-	-	-	-	-	-	-	-	-	-	31,169	61,803
Principal due within one year on long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	27,000	
													3,411,929	2,978,088
LONG-TERM DEBT (note 2)	-	-	-	-	-	-	-	-	-	-	-	-	2,922,000	2,849,000
DEFERRED INCOME TAXES	-	-	-	-	-	-	-	-	-	-	-	-	351,000	295,500
<i>Shareholders' Equity</i>														
CAPITAL STOCK														
Authorized														
50,000 Preference shares of \$10 par value														
1,500,000 Common shares of no par value														
Issued														
750,000 Common shares	-	-	-	-	-	-	-	-	-	-	-	-	1,034,750	1,034,750
RETAINED EARNINGS	-	-	-	-	-	-	-	-	-	-	-	-	3,805,673	3,826,188
													4,840,423	4,860,938
													\$11,525,352	\$ 10,983,526
Contingent liability (note 3)														

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 1, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

Toronto, Canada, May 6, 1972

General Bakeries Limited and subsidiary companies

Consolidated Statement of Income

YEAR ENDED APRIL 1, 1972 (with comparative figures for year ended April 3, 1971)

	1972	1971
Sales - - - - -	\$37,679,860	\$36,225,025
Costs and operating expenses - - - - -	36,740,010	35,474,553
Depreciation - - - - -	702,288	624,097
Interest on long-term debt - - - - -	144,568	152,411
	<u>37,586,866</u>	<u>36,251,061</u>
	92,994	(26,036)
Profit on disposal of fixed assets - - - - -	58,991	1,385
Operating income (loss) before income taxes - - - - -	<u>151,985</u>	<u>(24,651)</u>
Income taxes		
Current - - - - -	19,500	12,500
Deferred (reduction) - - - - -	55,500	(82,000)
	<u>75,000</u>	<u>(69,500)</u>
Net income for the year - - - - -	<u>\$ 76,985</u>	<u>\$ 44,849</u>
Earnings per share - - - - -	<u>\$.10</u>	<u>\$.06</u>

Consolidated Statement of Retained Earnings

YEAR ENDED APRIL 1, 1972 (with comparative figures for year ended April 3, 1971 as restated)

	1972	1971
Balance at beginning of year		
As previously reported - - - - -	\$ 3,859,188	\$ 3,911,839
Adjustment of prior years' income taxes (note 3) - - - - -	33,000	33,000
As restated - - - - -	3,826,188	3,878,839
Net income for the year - - - - -	<u>76,985</u>	<u>44,849</u>
	3,903,173	3,923,688
Dividends declared - - - - -	<u>97,500</u>	<u>97,500</u>
Balance at end of year - - - - -	<u>\$ 3,805,673</u>	<u>\$ 3,826,188</u>

General Bakeries Limited and subsidiary companies

Consolidated Statement of Source and Application of Funds

YEAR ENDED APRIL 1, 1972 (with comparative figures for year ended April 3, 1971 as restated)

	1972	1971
Source of funds		
Operations		
Net income for the year - - - - -	\$ 76,985	\$ 44,849
Items not involving current funds		
Depreciation - - - - -	702,288	624,097
Deferred income taxes - - - - -	55,500	(82,000)
	834,773	586,946
Book value of fixed asset disposals and retirements - - - - -	31,312	10,496
Increase in long-term debt - - - - -	100,000	1,879,000
	966,085	2,476,442
Application of funds		
Additions to fixed assets - - - - -	882,532	2,470,776
Dividends declared - - - - -	97,500	97,500
Decrease in non-current portion of long-term debt - - - - -	27,000	
	1,007,032	2,568,276
Decrease in working capital - - - - -	40,947	91,834
Working capital at beginning of year - - - - -	822,285	914,119
Working capital at end of year - - - - -	\$ 781,338	\$ 822,285

Notes to Consolidated Financial Statements YEAR ENDED APRIL 1, 1972

1. FIXED ASSETS

	1972			1971
	Cost	Accumulated Depreciation	Net	Net
Land - - - - -	\$ 1,030,251		\$1,030,251	\$1,022,359
Buildings - - - - -	4,483,601	\$1,178,152	3,305,449	3,322,952
Equipment - - - - -	9,231,599	6,235,215	2,996,384	2,837,841
	<u>\$14,745,451</u>	<u>\$7,413,367</u>	<u>\$7,332,084</u>	<u>\$7,183,152</u>

2. LONG-TERM DEBT

	1972	1971
Bank loan, due June 15, 1973 - - - - -	\$1,200,000	\$1,100,000
6½% First mortgages, payable semi-annually:		
February 18, 1973 to August 18, 1977—\$27,000 - - - - -	270,000	270,000
April 20, 1975 to October 20, 1979—\$147,900 - - - - -	1,479,000	1,479,000
	2,949,000	2,849,000
Less principal included in current liabilities - - - - -	27,000	
	<u>\$2,922,000</u>	<u>\$2,849,000</u>

3. CONTINGENT LIABILITY

The company has provided for but is contesting the 1968 to 1970 reassessments with respect to \$25,000 income taxes resulting from the disallowance of expenditures relating to delivery trays and is confident that little, if any, additional taxes will have to be paid or provided.

The Department of National Revenue has alleged that expenditures relating to delivery trays should not be expensed as incurred but should be treated as inventory. The Department's allegations, if upheld, would require an aggregate payment of up to \$150,000 additional income taxes for the 1971 and 1972 years.

4. LONG-TERM LEASES

The company is committed to annual rentals of approximately \$38,000 on long-term leases which expire on dates varying to February, 1981.

5. PENSION OBLIGATIONS

As at April 1, 1972 the actuarial deficiency of the company's pension plans amounts to \$157,886 which is being funded by annual payments of \$13,256 over the next 18 years.

6. OTHER STATUTORY INFORMATION

The direct remuneration of directors and senior officers, (including the five highest paid employees) amounts to \$185,300 (1971—\$177,200).

General Bakeries Limited and subsidiary companies

Ten Year Financial Record

	1972	1971	1970	1969
OPERATIONS				
Income (loss) from operations* - - \$	76,985	\$ 44,849	\$ (1,796)	\$ 312,484
Equal per share to * - - - -	.10	.06	—	.41
Net income (loss) for the year* - -	76,985	44,849	(1,796)	312,484
Equal per share to * - - - -	.10	.06	—	.41
Dividends declared - - - - -	97,500	97,500	187,500	187,500
Equal per share to - - - - -	.13	.13	.25	.25
FINANCIAL POSITION				
Current assets - - - - -	4,193,267	3,800,373	4,342,576	3,959,721
Current liabilities* - - - - -	3,411,929	2,978,088	3,428,457	2,979,065
Working capital* - - - - -	781,338	822,285	914,119	980,656
Special refundable tax - - - - -	—	—	—	18,545
Fixed assets, less accumulated depreciation - -	7,332,084	7,183,152	5,346,969	4,704,183
Total assets - - - - -	11,525,352	10,983,526	9,689,546	8,682,450
Long-term debt - - - - -	2,922,000	2,849,000	970,000	270,000
Deferred income taxes - - - - -	351,000	295,500	377,500	330,500
Shareholders' equity* - - - - -	4,840,423	4,860,938	4,913,589	5,102,885
Equal per share to * - - - - -	6.45	6.48	6.55	6.80

* Restated for the years 1969 to 1971 to reflect 1969 and 1970 income tax reassessments referred to in note 3 to the Financial Statements.

The 1963 and 1964 per share figures are adjusted to reflect the three-for-one stock split effective July 2, 1964.

Net income for the 1968 year includes a non-recurring profit of \$250,765 on sale of western Canada businesses and expropriation of Toronto plant, equal per share to 33 cents.

1968	1967	1966	1965	1964	1963
\$ 250,597	\$ 419,166	\$ 629,463	\$ 602,040	\$ 501,324	\$ 361,495
.34	.56	.84	.80	.67	.48
501,362	419,166	629,463	602,040	501,324	361,495
.67	.56	.84	.80	.67	.48
187,500	187,500	187,500	159,375	125,000	100,000
.25	.25	.25	.21¼	.17	.13
4,227,424	2,371,724	2,275,532	2,067,185	2,086,495	1,926,094
3,041,983	1,903,533	1,758,153	1,374,556	1,567,198	1,503,159
1,185,441	468,191	517,379	692,629	519,297	422,935
46,226	45,788	—	—	—	—
4,308,233	4,657,059	4,492,993	3,986,780	3,906,447	3,766,485
8,581,884	7,074,572	6,768,526	6,053,966	5,992,943	5,692,580
270,000	225,000	300,000	450,000	740,000	880,000
292,000	144,000	140,000	101,000	—	—
4,977,901	4,802,039	4,570,373	4,128,410	3,685,745	3,309,421
6.64	6.40	6.09	5.50	4.91	4.41

General Bakeries has a single

purpose . . . the production

of the finest quality

bread and bakery

products . . . the consistent

development of high standards

of baking procedure and

bakery service for the benefit

of Canadians in the territories

served by your company.

